

Office of the Assistant Secretary of Defense for
Command, Control, Communications and Intelligence
Room 3E240, The Pentagon, Washington, D.C. 20301-3040

Monday, November 9, 1992


To: DIICG Members
From: Paul Strassmann
Subject: Data Center Cost Reduction Potential

Per DIICG request I continue collecting documented case studies of Data Center cost reductions realized in consolidation of operations.

Enclosed is a comparison of unit costs for small and large data processing installations, based on a large sample of cases. It shows that substantial economies are available from increasing the scale of operations. Please note that DoD has handful of data centers that have more than 160 MIPS. Most of our installations are clustered in less than 10 MIPS size.

Enclosed find also a summary of a comprehensive presentation from GTE showing results from a two year consolidation program.

Paul



ic: Andrews, DDI Deputies, Cavallini, D.Brown, Jeffcoat, Oxley, Knecht

Cost per Unit of Work for Small and Large Data Centers

<u>Cost Category</u>	<u>Small DPI (<75 MIPS)</u>	<u>Large DPI (>160 MIPS)</u>	<u>% Advantage</u>
Computer Hardware	42.6	37.5	+12%
Software	13.6	5.7	+58%
Operations Personnel	21.1	11.6	+45%
Disaster Recovery	2.3	0.7	+70%
Technical Support	19.2	8.8	+54%
Finance & Administration	6.3	3.6	+43%
Facilities	<u>14.3</u>	<u>8.0</u>	<u>+44%</u>
Total Cost Per Unit (\$'s)	119.4	75.9	+36%

SOURCE: Consolidating Multiple Data Centers, I/S Analyzer, November 1990, Vol 28, No.11

GTE Two Year Consolidation Program

Consolidated 16 Data Centers into 4 Megacenters:

- 25% reductions in personnel
- 51% reduction in CPU \$/Billable Unit in 1990
- Zero disruptions during consolidations

Software Standardization & Software Support Consolidation:

- 43% reduction in personnel
- No missing payrolls or billing

SOURCE: GTE Executive Presentation to DoD. Extensive details are available.